

Service Date: April 30, 2003

DEPARTMENT OF PUBLIC SERVICE REGULATION
BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MONTANA

* * * * *

IN THE MATTER of the Petition of)
Energy West Incorporated for an)
Order Approving the Issuance of)
200,000 Shares of Common Stock)
Pursuant to the 2002 Energy West)
Stock Option Plan)

UTILITY DIVISION
DOCKET NO. D2003.4.51
DEFAULT ORDER NO. 6489

DEFAULT ORDER

1. On April 16, 2003, Energy West Incorporated filed a Petition for an order approving the issuance of 200,000 shares of common stock pursuant to that Company's stock option plan.
2. The petition was accompanied by a copy of the Energy West Incorporated 2002 Stock Option Plan which sets forth the terms and conditions under which stock options can be issued pursuant to the plan.
3. Proper notice of this filing was made by the Commission on April 22nd, 2003.

Findings of Fact

1. Petitioner is a public utility subject to the regulation of the Commission pursuant to 69-3-101, MCA, et. seq.
2. Petitioner is a corporation incorporated under the laws of the State of Montana and provides natural gas service in various communities in the State of Montana under tariffs approved by this Commission.
3. The Commission has jurisdiction over the subject matter of this petition pursuant to 69-3-501, MCA, et. seq.

4. The application states that the Company believes that ownership of company stock by employees is in the public interest and that the proceeds of the capital generated from the exercise of such stock options would be used for maintenance of the Company's distribution system, expansion of its distribution system, and for other general business purposes.

5. The Energy West 2002 Stock Option Plan was attached to the Petition as an Exhibit. A summary of the important aspects of that Plan include the following items:

- a. Options may be granted in the discretion of a Board appointed Committee to "employees, board members and consultants of the Company and its subsidiaries; provided that options qualifying as Incentive Stock Options may only be granted to employees of the Company or its Subsidiaries.
- b. The Plan permits an award of up to 200,000 shares of common stock of the Petitioner; however, no more than 40,000 shares are eligible for issuance in any one fiscal year.
- c. The exercise price for stock options shall not be less than one hundred percent of the Fair Market Value on the date of the grant.
- d. Any option granted under the Plan shall expire in accordance with the terms of an agreement entered into between the Company and the participant but in any event the option will expire within ten years from the grant date.

6. The petition sets forth a representation that the Plan was approved by a vote of the shareholders of the Company at the annual meeting held on November 21, 2002.

Conclusions of Law

1. Energy West Incorporated is a public utility subject to the jurisdiction of this Commission pursuant to 69-3-101, MCA, et. seq.

2. The issuance of securities by a public utility fall within the jurisdiction of the Commission pursuant to 69-30-501, MCA, et. seq.

3. The issuance of up to 200,000 shares of common stock of Energy West Incorporated pursuant to the terms of the Energy West 2002 Stock Option Plan is hereby

authorized and found to be consistent with the public interest; and that the aggregate amount of securities outstanding, including the securities which are the subject of this petition, do not exceed the fair value of the Company's public utility properties and business.

Order

1. The Petition for approval of the issuance of 200,000 shares of Common stock pursuant to the Energy West Incorporated 2002 Stock Option Plan is hereby granted.

2. The authority granted in this Order is valid through December 31, 2004.

3. Section 69-3-507, MCA, provides that neither the issuance of securities by Energy West Incorporated pursuant to the provisions of this Order, nor any other act or deed done or performed in connection with the issuance, shall be construed to obligate the State of Montana to pay or guarantee in any manner whatsoever any security authorized, issued, assumed or guaranteed.

4. Issuance of this Order shall not be interpreted as any indication of the ratemaking treatment to be accorded to Energy West Incorporated in future rate proceedings. Approval of the transactions authorized shall not be precedent to any future action of this Commission.

DONE IN OPEN SESSION at Helena, Montana this 29th day of April, 2003, by a vote of 4-1.

BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION

BOB ROWE, Chairman

THOMAS J. SCHNEIDER, Vice Chairman

MATT BRAINARD, Commissioner
(Voting to Dissent)

GREG JERGSON, Commissioner

JAY STOVALL, Commissioner

ATTEST:

Rhonda J. Simmons
Commission Secretary

(SEAL)

NOTE: You may be entitled to judicial review in this matter. Judicial review may be obtained by filing a petition for review within thirty (30) days of the service of this order. Section 2-4-702, MCA.